

DISCUSSION RECORD

INDUSTRY GROUP: Maritime Advisory Council

DATE: July 11, 2011

LOCATION: Greensboro, NC

The July 11, 2011 Maritime Advisory Council meeting agenda included focused discussion of three topics: Exports, Attracting Shippers to NC Ports, and Infrastructure Needs.

The following opinions, issues, and questions were raised by Advisory Council members regarding these topics. Advisory Council members were not necessarily in agreement on the importance or approach to resolution of all issues.

Exports

- “Why are we losing 78% of shipping to other ports?”
- Lack of imported cargo has a direct correlation to the availability/choices/capacity for exports
- Must increase imports in order to balance exports
- Increase number of steamship lines into NC Ports
- Costs west of Greensboro are prohibitive to using in-state ports
- Exporters go where ships call, ships call where the Distribution Centers/Warehouses are located
- Infrastructure is the key, especially RR’s
- Strengthen NC ports as a niche market to generate customer demand
 - i.e., load on-dock; POW has capability now
- Agriculture exports require unique equipment:
 - Grain Products need a grain handling facility to secure source to destination delivery
 - Grain operations are “all-in” investments
- “Chinese will look for bulk facility and will go to west coast or gulf”; another option is to fill containers with grain in Iowa / Ohio and rail to port – How much containerization of grain might be expected? Do economics of containerization work for large volumes to a single destination (i.e. China)?
- “NC has an advantage in containerized agricultural products”
- Chinese company/group is looking at Radio Island for grain/soybean; would this be compatible with potential container terminal?
- Opportunity for exports to Morocco
- Poultry/Pork exportation to Russia, China, Europe requires refrigeration and cold storage
 - NC Ports are currently investigating adding cold storage at or near Wilmington
- At-port Distribution Centers favor exports - where are the warehouses located?
- Ports need a good intermodal facility
- POW logistics parks need to work collaboratively

- Drive for new business:
 - Wood pellets enjoy an excellent market with a potential increase in demand
 - The Chinese government recently stated that it cannot grow enough food to support the population. A governmental policy states that they must purchase food from other countries.
- Improved access from Rocky Mount

Attracting Shippers to NC Ports

- Maintain current vessel calls
- Increase number of steamship lines at NC Ports
- Balance imports and exports
- NC Ports Offer:
 - No labor unions
 - Best prices (in port)
 - “Sprint Service”- “Sprint service via truck is available to containers on chassis which are loaded to or discharged from vessels at the Port of Wilmington. This service is available only to those steamship lines, or their customers, which have regular and advertised service at the Port of Wilmington. (All Sprint transportation to be prearranged and approved by NCSPA personnel).”
- Quantify cost by not having competitive RR Service at NC Ports
- Consider short lines which have the ability to connect centers with larger lines
- “If we had the infrastructure, shippers would not go to other ports”
- Look at source to destination, port is just a part of the process (doesn’t drive the business)
- How does NC compete in the door-to-door/port-to-door market?
- Military continues to grow in NC, ports need to position themselves to support the growth

Competition:

- Shippers go to Norfolk because the number of imports create export capacity
- GA port incentivized import traffic with DC’s near the port - DC locations have aided Savannah’s growth. But this is an old model – shippers now prefer DC’s closer to end user, at population centers.
- If Savannah cannot get money for dredging, they believe they are in trouble
- Charleston is moving forward with Navy Yard
- Craney – horizon year further out than 2030?
- Jasper – unclear if this project will move forward
- East coast ports believe they have capacity for awhile
- For bulk, each port serves a different marketplace
- Both Savannah and Wilmington ports have similar costs and depth
- West of Greensboro is more cost-effective to send through Charleston
- Charleston has no on-dock rail
- Savannah has near port rail – truck to rail
- No other port will be static
- Baltimore has CSX on one side and NS on the other
- VA ports may get more business because they are operating non-traditionally

Infrastructure Needs

- Building capacity does not necessarily equal more business
- Land at docks is expensive and should be used differently than is currently utilized
- Post-Panamax discussions are premature
- POW has the best East/West access vs. ports to the North and South of us
- Is there a correlation between dredge depth to utilization?
- Create a chart showing dredge depth vs. increased TEU capacity
- At what point do we become uncompetitive as the Panama Canal opens up?
- To maintain market-share, some investments must still be made (scenario 2)
- Create a port at sea and barge cargo into ports
- Support for small shippers

Highway Infrastructure

- NC enjoys admirable road infrastructure from East to West on I-40
- Bridge upgrades to support grain trucks
- Completion of I-73 from the Triad South
- Access to MC is improving, bypass is currently being addressed
- I-74 (N/S) has substantial bottleneck problems at Monroe
- Price tag on highway improvements is cost-prohibitive
- I-74 Coalition aimed at improving access to Ohio/midwest

Rail infrastructure:

- NC needs an intermodal reach beyond the state
- Need more rail competition, utilize partnerships between NS, CSX, NCRR
- RR infrastructure is the key owing to its ease into major cities
- Capital intensive industry - \$.20 of every dollar earned is reinvested in RR infrastructure
- RR's do not have enough information regarding strategic direction of NC Ports to commit to a direction and investments
- CSX willing to make rail investments if demonstrated ROI
- Need direct rail access to ports avoiding urban aligns
- Key investments needed:
 - Military installation access
 - Turn at Pembroke
 - Castle Hayne-Wallace line
 - Add track in Fayetteville
- Quantify the cost for service at MHC with CSX vs. POW with NS
- Define the impact on NC ports being served by different RR's
- Should we invest in short line RR's to run from large RR centers?
- Near dock vs. on-dock rail
- RO/RO capabilities
- RR's principal competitor is the trucking industry
- Craney Island indicative of container future
- Rail economics favor bulk transport of grain (unit train has 2x the capacity of container) vs. container
- Competitive access to both ports – can NCSPA use Baltimore model?– CSX access on one side, NS on the other

- “On dock rail on Radio Island is not feasible” – near dock is possible

Distribution Centers (DCs):

- Consolidate DC's between small shippers inland
- Create a Charlotte DC to accommodate distribution/shipping to POW (but this may direct more traffic to Charleston or Savannah)
- Put DC's in Wilmington as a base before Charlotte
- Put DC's in/near Raleigh, closer to population center
- Business needs will drive the location of warehouses
- Create industrial parks accessible to ports
- Pender/Brunswick/Columbus Co – Logistics Parks need to collaborate
- Landside infrastructure improvements will attract/facilitate logistics parks
- How do we get boxes from port to DC's?
- Identify locations close to end users for DC's
- Target areas where NS & CSX lines cross to build DC's

Other subjects raised:

- Maritime needs of off-shore/near-shore wind farms (delivery of project components)
- Pay-back time will fluctuate based on economic recovery
- Error in rail maps
- “What is in it for NC?”
- East of 95, VA to FL – proximity of center to port